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Tennessee Department of Revenue

Sales Tax Holiday: Retailer's Guide

In August of this year, Tennessee will hold its first annual sales tax holiday, giving shoppers the opportunity to purchase certain school supplies, computers and clothing tax-free for a specific period of time, beginning at 12:01 a.m. on Friday, Aug. 4 and ending at 11:59 p.m. on Sunday, Aug. 6.

Retailers Are Required To Participate

Retailers may not charge tax on items that are legally tax-exempt during the Sales Tax Holiday.

Business Purchasers

A seller who only sells to business purchasers is not required to participate in the sales tax holiday. A seller who sells to both business and individual purchasers must participate. The seller is **not required** to ask any purchaser if the item is to be used in a trade or business. If tax is not collected, the business purchaser will owe use tax and any applicable interest. Purchaser information may be obtained by the Department of Revenue during the audit process.

Articles Normally Sold As A Unit

Articles normally sold as a unit must be sold that way during the Sales Tax Holiday. They cannot be priced separately and sold as individual items to qualify for the exemption. However, components normally priced as "separates" may still be sold as separate articles, and any piece that is less than \$100 will qualify for the exemption.

Buy One, Get One Free Or For A Reduced Price

The total price of items advertised as "buy one, get one free" or "buy one for a reduced price" cannot be averaged to qualify both items for the exemption. The exemption depends on the actual price paid for each item.

Coupons and Discounts

If a retailer offers a **discount** to reduce the price of an eligible item to \$100 or less, the item will qualify for the exemption. This applies to all discounts even if a retailer's coupon or loyalty card is required to secure the discount.

If a retailer accepts a coupon that entitles the retailer to third-party reimbursement, such as a manufacturer's coupon, the discount provided by the coupon does not reduce the item's sales price for purposes of determining whether the item is eligible for the exemption.

Exchanges

If a customer buys an eligible item during the Sales Tax Holiday and later exchanges it for the same item in a different size or color, tax is not to be charged even if the exchange is made after the Sales Tax Holiday.

If a customer buys an eligible item during the Sales Tax Holiday and returns the item after the tax holiday period for credit on the purchase of a different item, sales tax applies to the sale of the newly purchased item, even if it would have been eligible for the exemption during the Sales Tax Holiday.

If a customer buys an eligible item before the holiday period, but returns the item during the Sales Tax Holiday period and receives credit on the purchase of a different item of eligible property, no sales tax is due on the sale of the new item.

Layaway Sales

Qualifying items placed on or picked up from layaway during the Sales Tax Holiday are exempt from sales tax.

Mail, Telephone, E-mail, and Internet Orders

Qualified items sold to purchasers by mail, telephone, e-mail, or Internet shall qualify for the sales tax exemption if the customer orders and pays for the item and the retailer accepts the order during the exemption period for immediate shipment, even if delivery is made after the exemption period.

Rain Checks

Eligible items purchased during the Sales Tax Holiday using a rain check qualify for the exemption only if the rain check is redeemed during the Sales Tax Holiday. If it is redeemed after the holiday period, the purchase is not tax exempt.

Rebates

Rebates occur after the sale and do not affect the sales price of an item for purposes of the Sales Tax Holiday exemption.

Refunds

Retailers should refund tax to any customer who was charged sales tax on an exempt item during the Sales Tax Holiday. Customers who were charged tax by a retailer should take their receipt to the retailer for a refund.

Repairs, Alterations, Items For Rent

The exemption does not apply to taxable services, such as alterations performed on clothing, accessories or footwear, or to any rental costs.

Reporting Exempt Sales

If you sold clothing, school supplies, or computers qualifying as exempt items during the Sales Tax Holiday, these exempt items must be reported on Tennessee's Sales and Use Tax Return. All sales for the period, including exempt sales, should be reported on Line 1, under Gross Sales. Qualifying sales exempt during the holiday should be entered on Schedule A, Line J. The exempt sales will be included in the total of Lines A through J and reported on Line K under Total on Schedule A, with this same number being reported as exempt sales on Line 6 on the front of the form.

Sales Of Sets Containing Both Exempt And Taxable Items

When exempt clothing, accessories or footwear are sold together with taxable merchandise as a set or single units, the full price is subject to sales tax unless the price is separately stated.

Shipping And Handling Charges

If **all** the items in a shipment qualify as eligible items and the sales price for each is within the sales tax holiday price threshold, no charges have to be allocated to the sales price in determining if the \$100 threshold (\$1,500 for computers) is exceeded.

If the shipment includes **exempt items and taxable items** (including an eligible item with a sales price in excess of \$100/\$1,500), the seller should allocate the delivery charge by a percentage based on the total sales prices of the taxable items to the total sales prices of all the items in the shipment.

More information from the Department of Revenue is available from the following sources:

Web site: www.Tennessee.gov/revenue
E-mail: salestax.holiday@state.tn.us
Telephone: (800) 342-1003 8 a.m. - 5 p.m., CST

Special telephone hours for Sales Tax Holiday:

Saturday, Aug. 5: 7 a.m. to 7 p.m., CST
Sunday, Aug. 6: 10 a.m. to 6 p.m., CST